

# OCP CREDIT STRATEGY FUND

Monthly Update as at February 28, 2011



## Investment Rationale and Objectives

OCP Credit Strategy Fund provides Unitholders with exposure to the performance of an actively managed, diversified portfolio comprised primarily of senior debt obligations of non-investment grade North American issuers.

The Fund's objectives are: (i) to maximize total returns for Unitholders, on a tax-advantaged basis; (ii) to provide Unitholders with attractive, quarterly, tax-advantaged distributions, initially targeted to be \$0.70 per annum, representing an annual yield of 7% based on the original issue price of \$10.00 per Unit; and (iii) to preserve capital.

## Details

Date of Inception:	November 20, 2009
Issue Price:	\$10.00
Opening NAV (November 20, 2009):	\$9.44
Ticker Symbol:	OCS.UN (TSX)
Total Net Assets:	\$205,354,316*
NAV per Unit:	\$9.88*
Market Price:	\$9.98*
Latest Distribution: December 31, 2010	\$0.175
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$0.7786

\* As at February 24, 2011.

## Commentary

Net performance of OCP Credit Strategy Fund was 1.06% in February and 3.87% year-to-date. While U.S. markets continued to gain in the first half of February, higher oil prices associated with Middle East tensions increased volatility in the second half of the month and caused markets to sell off the year's highs. Despite greater negative volatility, the CS Leveraged Loan Index, CS High Yield Bond Index, and S&P500 returned 0.53%, 1.3%, and 3.4% in the month, respectively.

Consistent with last month, gains were concentrated in a small number of the Portfolio's holdings that experienced events. It is noteworthy that South Edge accounted for the majority of February's performance. Last month, we highlighted the company given its significant performance and described our position in this smaller (roughly \$300 million face value of bank debt), less followed restructuring opportunity. Despite price appreciation, we held the position based on conviction that the investment remained undervalued. In February, the bankruptcy judge upheld the involuntary bankruptcy petition filed by certain lenders against South Edge. The bankruptcy judge also appointed a trustee, which we believe will allow for a quicker resolution of the matter. The bankruptcy filing also triggered the lenders' rights under certain repayment guarantees delivered by certain major U.S. home builders. Our investment in Hovnanian, a U.S. homebuilder, was another meaningful gainer in the month. The Portfolio's investment is in one of the company's smaller debt tranches. Early in the month, Hovnanian announced the steps we had anticipated to begin refinancing its capital structure. The company issued new stock and debt to fund working capital, reduce leverage, and to retire debt that was to mature in the next few years. As a result of these actions, the value of our bonds increased.

Losses in the month were modest and limited to only a few holdings, including GM and TXU. GM's restructured equity weakened following its announcement of fourth quarter earnings that were slightly below market expectations. We believe GM's prospects remain solid and we continue to hold the investment. The Portfolio has a number of different positions across TXU's complex capital structure. While many of the TXU positions gained in the month, these gains were offset by losses in two specific bonds following the claim of a bank debt holder of a potential default related to inter-company loans and an excess cash flow payment. Upon re-evaluation of the Fund's holdings, we repositioned and selectively reduced our TXU exposure. Net losses in TXU holdings were not significant to the month's performance. We are continuing to assess this situation for any potential impact and opportunity across TXU's capital structure.

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# ONEX

CREDIT PARTNERS

## Five Strongest and Weakest Performers

### Strongest

South Edge Senior Term Loan
Hovnanian Senior Notes
Delphi Equity (Private Class B Shares)
Tribune Credit Facility
Penson Senior Notes

### Weakest

GM Preferred Shares
CIT Senior Term Loan
TXU Senior Term Loan and Senior Notes
USG Senior Notes
Novasep Senior Notes

The chart shows the top five strongest and weakest holdings contributing to the Fund's performance for the month. These holdings do not represent all of the assets held, purchased or sold during the month.

## Industry Exposure

	Long	Short	Net
Finance	13.12%	0.00%	13.12%
Gaming/Leisure	10.86%	-1.70%	9.15%
Independent Power Producers	10.69%	0.00%	10.69%
Transportation	10.42%	0.00%	10.42%
Housing/Building Products	6.80%	-1.09%	5.71%
Energy Service	4.26%	-1.42%	2.84%
Media	4.24%	0.00%	4.24%
Chemicals	4.17%	0.00%	4.17%
Aerospace	3.65%	0.00%	3.65%
Other	2.64%	-5.53%	-2.89%
Forest Prod/Containers	2.33%	0.00%	2.33%
Telecom	2.31%	-0.65%	1.66%
Pharmaceuticals	2.23%	0.00%	2.23%
Healthcare	1.62%	0.00%	1.62%
Business Services	1.45%	-1.04%	0.41%
Cable/Wireless Video	1.42%	0.00%	1.42%
Metals/Minerals	0.18%	0.00%	0.18%
Real Estate	0.13%	-1.12%	-0.99%
Index	0.12%	-12.72%	-12.60%
Food	0.00%	-1.02%	-1.02%
Retail	0.00%	-0.54%	-0.54%
Adjusted Exposure**	82.62%	-26.84%	55.78%

\*\* Shorts include the notional value of the credit default swaps, if any.

## Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	38.67%	0.00%	38.67%
Corporate Bonds	33.88%	-8.59%	25.28%
Government Bonds	0.00%	-5.53%	-5.53%
Equity	9.95%	0.00%	9.95%
Other	0.00%	0.00%	0.00%
Call Options	0.12%	0.00%	0.12%
Notional value of CDS	0.00%	-3.01%	-3.01%
Notional value of Puts	0.00%	-9.71%	-9.71%
Adjusted Exposure**	82.62%	-26.84%	55.78%
Cash	17.38%	0.00%	17.38%
Total Exposure	100.00%	-26.84%	73.16%

\*\*\* The Portfolio refers to the positions held by the underlying fund, OCP Investment Trust.

All amounts in Canadian dollars unless otherwise stated. Certain statements constitute forward-looking statements, including, but not limited to, those identified by the expressions "expect", "intend", "will" and similar expressions to the extent they relate to the Fund. The forward-looking statements are not historical facts but reflect Onex Credit Partners, LLC's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Although Onex Credit Partners, LLC believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. Onex Credit Partners, LLC undertakes no obligation to update publicly or otherwise revise any forward-looking statement or information whether as a result of new information, future events or other such factors which affect this information, except as required by law. Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the Fund. Please read the Fund's continuous disclosure documents (found on SEDAR) before investing. The Fund is not guaranteed, its value changes frequently and past performance may not be repeated.

The Portfolio refers to the positions held by the underlying fund, OCP Investment Trust. Through a forward agreement, the return of the Fund is dependent on the return of the Portfolio. Performance figures for the Fund are based on Canadian generally accepted accounting principles and were based on audited financial statements through December 31, 2009 and unaudited monthly estimates thereafter. Performance figures for the Fund include distributions paid during the relevant period and are calculated net of expenses and fees. Returns for the Fund may diverge from the returns for the Portfolio for several reasons including the incurrence of expenses and payment of distributions by the Fund.